

Serco Watch

A citizen led network

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Submission to the Inquiry into the decision to award Serco Australia the contract for the provision of non-clinical services at Fiona Stanley Hospital

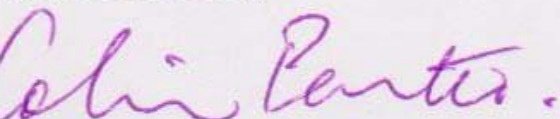
This submission has been prepared by Serco Watch, in response to the call for written submissions by the Public Accounts Committee. Serco Watch appreciates the opportunity to make this submission.

Serco Watch is a WA based civil society group.

Serco Watch acts as a citizen led network of individuals and organizations based in WA but with links to other Australian states and overseas. Serco Watch was formed by Western Australian citizens concerned about the growing activities and operations of Serco, as well as other private corporations involved in the delivery of public functions and public services. Serco Watch monitors the delivery of public services and public functions by corporations, including Serco.

Serco Watch appreciates the opportunity to make a submission and congratulates the Public Accounts Committee on initiating this Inquiry.

Yours sincerely



Colin Penter

Convenor and member of Serco Watch

**SUBMISSION TO THE INQUIRY INTO THE
DECISION TO AWARD SERCO AUSTRALIA
THE CONTRACT FOR THE PROVISION OF
NON-CLINICAL SERVICES AT FIONA
STANLEY HOSPITAL**

**PRESENTED TO THE PUBLIC ACCOUNTS
COMMITTEE
LEGISLATIVE ASSEMBLY**

BY

SERCO WATCH

OCTOBER 2011

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OVERVIEW

This submission has been prepared by Serco Watch, in response to the call for written submissions by the Public Accounts Committee. Serco Watch appreciates the opportunity to make this submission.

Serco Watch is a WA based civil society group. Serco Watch acts as a citizen led network of individuals and organizations based in WA but with links to other Australian states and overseas. Serco Watch was formed by Western Australian citizens concerned about the growing activities and operations of Serco, as well as other private corporations involved in the delivery of public functions and public services. Serco Watch monitors the delivery of public services and public functions by corporations, including Serco.

Serco Watch includes individual citizens, researchers, unions, refugee campaigners, prison campaigners, deaths in custody watch groups, academics, civil society and community groups, professionals, public accountability advocates and human rights campaigners.

Many of the people involved in Serco Watch have direct professional and personal contact and experience with Serco's delivery of public services and functions, and many have direct contact with Serco staff and employees, as well as clients and people currently or previously in the care of Serco.

As such they speak from direct and first-hand experience. Many of them combine professional activities and work experience with their responsibilities as citizens, so their perspective on these issues is shaped by long professional experience and research knowledge, as well as direct personal experience as a citizen.

We understand that the Public Accounts Committee is inquiring into the processes utilized and outcomes reached in awarding Serco Australia the contract for provision of non-clinical services at Fiona Stanley Hospital. Specifically the Committee is examining:

- Project definition processes undertaken to identify both the services required at the hospital and which of those services are to be provided by Serco Australia;
- Procurement Plan, including the public sector comparator, endorsing the private sector delivery of non-clinical services at Fiona Stanley Hospital;
- Risk management planning undertaken;
- Compliance management arrangements for the contract; and
- Objectives, including service quality and value for money, and the extent to which the contract as signed is likely to meet those objectives.

Given that the WA Government has not released the business case and the public sector comparator and other critical documents, Serco Watch is unable to comment directly on many

of these matters. We urge that all these relevant documents be released to the public before we can reasonably comment on them.

This submission does not directly address all the terms of reference although it does comment on them in a broad sense. The submission also provides a broader context for matters that are the focus of the Inquiry.

This submission makes a number of key points

- Serco's efforts to create a market for its products and services in WA through active and concerted political lobbying and its use of relationships, networks and associations raises questions about the extent to which the decision to privatize and outsource services at Fiona Stanley Hospital and the eventual contracting process and contract decisions were in any way influenced by ideological and political considerations. We urge the Committee to investigate these issues thoroughly.
- Based on the documents available about the Fiona Stanley contract and the public statements made there appears to have been little consideration given during the contract planning and decision making process to the growing body of evidence that demonstrates Serco's inability to deliver public services and public functions in a way that is in the public interest. We urge the Committee to investigate the extent to which Serco's poor record was considered during the contract decision making process and if not why not.
- The decision to award the contract to Serco is fundamentally flawed as there appears to have been no serious consideration given to Serco's poor record in delivering "human services" to vulnerable people in Australia and the UK. Serco Watch finds it particularly troubling to note the extreme disparity between statements about Serco's record in the documentation about the Serco contract for Fiona Stanley Hospital and the reality of their record of conduct here in Australia and elsewhere. We believe Serco's poor record required far more scrutiny than it clearly received during the contracting process. We urge the Committee to investigate whether the contract decision making process gave adequate consideration to Serco's record of delivering human services to vulnerable people and if not why not. We urge the Committee to ensure that these issues are addressed and considered in their deliberations.
- The decision to award the contract to Serco and the secrecy surrounding contract details, including the failure to make public the "public comparator" and business case used in contract decision making, and the use of commercial confidentiality to prevent scrutiny of the contract has the effect of reducing public accountability, transparency and democratic control. This is the general experience in respect to Serco's contracts in Australia and the UK, and is in our view an intentional consequence of the privatization and outsourcing of public services and public functions to the corporate sector. We urge

the Committee to give serious consideration to ways that public accountability, transparency and democratic control can be reasserted over Serco Australia's contract for the delivery of non-clinical services at Fiona Stanley Hospital. In addition, the Committee should prescribe ways that the responsible Government agency can ensure strict monitoring of Serco's compliance with its contractual requirements, as well as its social and environmental obligations and the public interest.

This submission does not go into detail about a number other issues that concern the members of Serco Watch, which we understand may be raised in other submissions made to the Inquiry. These include:

- Serco Watch has many concerns about the privatization and outsourcing of human services (and health services) to corporations whose primary focus is on making profits for investors and shareholders, at the expense of providing quality services in the public interest. We contest the claims made about the supposed benefits of the privatization and outsourcing of public services, such as non-clinical services at Fiona Stanley Hospital, and believe that contract decision making process are skewed in favor of privatization and outsourcing while the evidence challenging those claims is ignored or dismissed.
- We believe the primary objective of a public hospital should be to provide high quality health care to its patients. We believe that the delivery of so-called "non-clinical" services by a corporation is not compatible with that objective. We believe the Serco contract should be rescinded and those so called "non-clinical" services and functions be put back into public hands.

ABOUT SERCO

Serco Watch believes it is essential that the members of the Select Committee understand the history and record of Serco.

Serco is major global multinational corporation, headquartered in the UK, whose core focus is on government assets and services. Primarily it has contracts with Governments to provide public services, manage public assets and deliver public functions. Over 90% of its business derives from providing government services. Serco has a grandiose vision to be "the world's greatest service company".

Serco is one of the main corporations benefiting from and promoting the outsourcing and privatization of public functions and services. But Serco does not just provide public services. It aspires to take over a swath of public services and public functions, and aggressively lobbies and pressures Governments to privatize and outsource public services to the corporate sector.

Serco has operations throughout the UK, North America, Europe, the Middle East and the Asia Pacific, including Australia. It employs over 70,000 people across more than 600 contracts in 37 countries.

Serco has undergone exponential global growth on the back of Government privatization and outsourcing of public functions and public services. It is realizing double digit revenue growth annually, despite the massive austerity measures and cutbacks in public services occurring across many countries.

Serco is a private corporation but is a creation of Government's drive to outsource services. Serco does those things that Governments no longer want to do and has positioned itself as a major provider of outsourced public services. The vast majority of its income and profits come from the public purse. Serco has expanded by delivering cut price public services on behalf of Governments. As a result its income and profits have grown rapidly, primarily paid out of the public purse.

There are few public functions or public service that Serco won't run for profit. Serco runs prisons, border security, immigration detention centres, offender services, offender tagging, custodial and transport services and criminal justice services. It runs hospitals, health services, telephone help lines and pathology and other medical services and provides out of hours GP services. It manages traffic lights, speed cameras, transport systems and driver examination centres. It administers and delivers education and school services, employment programs, welfare to work and family and children's services. It builds and runs military facilities and bases, runs defense logistics and support, provides garrison support services and controls nuclear weapons. It trains helicopter crews and runs the National Nuclear laboratory and the Atomic Weapons Establishment.

Serco runs bicycle networks in London, the Docklands Light Railway in London, major train lines in Australia including the Indian Pacific and the Ghan and the Dubai metro train system.

Serco supplies covert surveillance vehicles for Police and assists them to connect intelligence to plate recognition. They sell intelligence systems to law enforcement agencies and have over 7000 staff working on the UK Government's counter terrorism strategy. Serco also has a contract to run training in the UK for people who will take charge during disasters and emergencies¹.

It provides air-traffic control services across the US, UK, Europe and Middle East and operates Hong Kong's tunnels and road networks into mainland China. In the US Serco runs defense commissioning, military and intelligence services. Serco operates and maintains key UK defense

¹ Sambrook, C (2010) Surveillance+ detention= Billions: How Labor friends are 'securing your world', *open Democracy*, <http://www.opendemocracy.net/print/53679>

installations including the UK Ballistic Missile early Warning system and the five satellite military communication network. Serco even has the contract to set Mean Greenwich Time.

Serco has a growing presence in Australia, with over 8,000 employees and makes substantial profits from its Australian operations. It tripled revenues in the last financial year and doubled net tax profits to over \$40 million. This is primarily due to the massive expansion of its immigration detention contract. Serco's Australian operations are run through a wholly owned subsidiary Serco Group Pty Ltd, which in turn owns Serco Australia Pty Ltd which manages the majority of the group's contracts in Australia.

Serco has an aggressive approach to acquiring contracts. It actively lobbies Governments to outsource and privatize services.

Serco and the Serco Institute actively promote and lobby for the creation of what they call a "public service economy", which involves creating a thriving corporate and private sector market for the delivery of public services. These arrangements require Governments to provide corporations and the private sector with a constant flow of deals, hence the need for Serco to aggressively lobby and advocate for more and more contracting, outsourcing and privatization.

This is where the Serco funded Serco Institute based in London plays a critical role. It promotes and advocates the outsourcing and contracting of public services and functions. The Serco Institute uses the veneer of research knowledge and expertise to sell its doctrinaire message that Governments should contract and outsource public services to create a "public sector economy".

The Serco Institute has had a major presence in Australia and Western Australia (see pages 9-10 of this submission for more detail).

Serco and the Serco Institute aggressively promote the view that there is no public function or service that cannot be privatized² and outsourced to corporations (like Serco). For example, Serco has a vision to take over responsibility for the entire family budget. A Serco senior Executive told a London Conference on family support³ that it would be interesting if:

“...a private provider of services took over responsibility for the budget of an entire family.

Serco and the Serco Institute have recently published a paper arguing that private corporations like Serco could take over policing responsibilities⁴.

² Serco is very careful in its use of the word privatization. It never uses that word in describing what it does. Indeed Serco argues that what it does is not privatization.

³ Rashbrooke M (2010) General election: civil service braces for spending cuts on a grand scale, *The Guardian*, May 6 2010 <http://www.guardian.co.uk/politics/2010/may/06/general-election>

⁴ Sotiropoulos, A (2008) *Making Time: freeing up front Line Policing*, The Serco Institute, <http://www.serco.com>

Serco Watch believes that Serco's record exemplifies the type of predatory corporate capitalism described by James Galbraith in his book *The Predator State*⁵ in which public institutions and public services are systematically undermined for the benefit of corporations and private citizens, and public resources are diverted to corporate and private interests.

KEY POINTS IN THE SUBMISSION

In presenting this submission Serco Watch wishes to raise a number of questions and make a number of points for the Committee's consideration.

WHAT INFLUENCE DID SERCO'S POLITICAL LOBBYING AND RELATIONSHIPS AND ASSOCIATIONS HAVE ON THE ENVIRONMENT IN WHICH DECISIONS WERE MADE AND THE DECISIONS THEMSELVES?

Serco's efforts to create a market for its products and services in WA through active and concerted political lobbying and its use of relationships, networks and associations raises questions about the extent to which the decision to privatize and outsource services at Fiona Stanley Hospital and the eventual contracting process and contract decisions were in any way influenced by ideological and political considerations.

Evidence from the UK and Australia shows that Serco aggressively lobbies governments about the benefits of privatization and outsourcing and presses governments to privatize and outsource more and more public services and public responsibilities to the corporate sector.

Serco not only lobbies Governments and politicians aggressively but also established and funded a so called "Think Tank", the London based Serco Institute to promote and advocate for privatization, outsourcing and contracting of public services.

A recent UK report into the ethical practice of corporations benefiting from the outsourcing and privatization of public services found that Serco was among the least ethical. The report by Ethical Consumer⁶ found that Serco had among the lowest rating on various ethical and environmental criteria, including human and workers' rights, political activity, supply chain management and anti-social finance (including tax minimization).

The Report found that Serco and other corporations were involved in:

⁵⁵ James K Galbraith (2008) *The Predator State: How Conservatives abandoned the Free market and why Liberals should to*, Free Press.

⁶ <http://www.ethicalconsumer.org/Comments/Analysis/Features/IsThatWhatYouCallGoodServices>: False Economy, Research exposes ethical deficit at the heart of companies taking over public sector
<http://falseeconomy.org.uk/blog/research-exposes-ethical-defecit>

“ a corporate culture of widespread lobbying to gain access to Whitehall power brokers, donations to political parties and a revolving door policy of former Government Ministers heading straight into jobs with some of the companies surveyed.”

The UK Report found that Serco (and G4S) scored the worst possible rating in the area of unethical political activity⁷.

In Australia Serco has strong connections with both major political parties and numerous newspaper reports have documented these connections and links⁸.

The former Director of the Serco Institute has a long connection to the Liberal Party and regularly visited Perth where he used his connections with Ministers, MP's and Ministerial staffer's to sell Serco's key capabilities and promote the benefits of contracting out and privatization of public goods and services.

Answers to Parliamentary questions and information from FOI requests show that between 2008-2010 Serco lobbyists and the Director of the Serco Institute organized dinners and gatherings with Government MP's and Ministerial staffers to discuss Serco's capabilities in WA.

The Serco Institute also made a major submission⁹ to and briefed those involved in the Western Australian Economic Audit Committee's Report "Putting the Public First". The Serco Institute submission clearly shaped many of the directions proposed in the EAC Report and recommendations.

The former Director of the Serco Institute also advised the NSW Liberal Government when it was in opposition about public sector reform and outsourcing of public services. In a newspaper article the former Serco Institute Director confirmed that had met regularly with the now NSW Premier and Treasurer¹⁰ (then in Opposition).

He was reported as saying¹¹:

“The message I've been giving them is there's an awful lot of interesting things happening in Britain... not just outsourcing but some interesting private sector contracts where payment is dependent on outcome... My job is to help explain how this stuff works so that Governments feels it can make voters and unions feel more comfortable about it”

The former Serco Institute Director refuted claims he lobbied for Serco¹²:

⁷ Sanderson, T (2011) Selling the State: The unethical companies taking over UK public services <http://www.opendemocracy.net/ourkingdom/tom-sanderson>

⁸ Aston, H (2010) Axeman advises O'Farrell, *Sydney Morning Herald*,

⁹ The Serco Institute (2009) *Payment on Performance: The Use of Competition and Contracting in improving Public Services*, a submission to the WA Economic Audit Committee, 27 February 2009.

¹⁰ Aston, H (2011) Axeman advises O'Farrell, *Sydney Morning Herald*, February 27, 2011 <http://www.smh.com.au/ns/state-election-2011>

¹¹ Aston, H (2011) Axeman advises O'Farrell, *Sydney Morning Herald*, February 27, 2011

“Serco does not have a view about what services should be put to the private sector, it's not for us to decide what should be put to the market. When government makes that decision it's for us to tell them how we think it can be done. *I've known a lot of the Liberal guys for a very long time so it would be improper for me to be lobbying on behalf of Serco and I don't*”.

The former Serco Institute Director has just recently been appointed by the NSW Liberal Government to the position of the NSW Premier's Chair in Public Service Delivery at the University of NSW with responsibility for the development of public sector leaders and public sector service delivery in NSW^{13,14}.

Research done by Serco Watch shows that in Western Australia Serco employs lobbyists with connections to both the WA Liberal Party and Labor Party to work on their behalf. Documents on the public record¹⁵ show that there has been a long history of meetings, associations and communication between Serco representatives and members of the current Government about opportunities for Serco in WA.

In WA Serco is represented by GRA Everingham, a lobbying firm with strong connections to the WA Liberal Party. The Director of GRA Everingham was a former Executive Director of the WA Liberal Party and federal Liberal staffer before moving into political lobbying. GRA Everingham also employs a former Leader of the WA Liberal Party and Minister in previous Liberal Governments. The chair of GRA Everingham is a former Federal Labor Minister.

Serco also retains Halden Burns, a Labor linked lobbying group run by a former State Secretary of the WA Labor Party. Halden Burns has assisted Serco with its management of Acacia Prison by preparing a Serco crises contingency plan. As well as rebranding the public image of the Serco run Acacia Prison, Halden Burns has produced a new logo, letterheads and banners for Acacia Prison, redesigned the front entrance at Acaia and prepared an Annual Report that trumpets Serco's good work.

Through their lobbyists Serco has targeted and lobbied the Barnett Government to expand the extent of corporate and private sector provision of public services and public infrastructure.

Material on the public record (including answers to Parliamentary questions and FOI requests) show that Serco's lobbyists have actively used their connections with Liberal Party MP's, Government Ministers, Ministerial staffers and advisers to promote Serco's corporate interests and promote and advocate for the outsourcing of public services and functions.

¹² Aston, H (2011) Axeman advises O'Farrell, *Sydney Morning Herald*, February 27, 2011

¹³ NSW Premiers ANZSOG Chair in Public service Delivery established, <http://www.asb.unsw.edu/aunewsevents>

¹⁴ The Australian, July 29 2011, Greiner man Gary Sturgess back as state shakes up bureaucrats <http://www.theaustralian.com.au/national-affairs-greiner-man-gary>

¹⁵ This information is contained in answers to Parliamentary Questions, reports to Parliament, information on lobbyists registers, responses to FOI requests and newspaper articles.

Serco Watch has documented a history of meetings between Serco lobbyists, Serco Executives who flew from Sydney and London and WA Government Ministers and MP's, and senior Government staffers including Ministerial staffers and advisers to discuss Serco's capacity to provide public services and undertake public functions in Western Australia.

The purpose of these meetings was not always described in the public documents viewed by Serco Watch, however the documents show that discussion focused on possible contracts including for example "Serco and their capacity to service any new prisons, PTA transit guards and speed cameras".

The fact that Serco was meeting with Ministers and staffers to discuss Serco's capacity to deliver public services and public functions prior to Government announcing their intentions to outsource services raises the question as to whether the outsourcing of services at Fiona Stanley Hospital was also discussed at any of those meetings.

This raises fundamental questions about the extent to which ideological and political influences may have played a role in the decision to outsource and privatize certain public services and functions, as well as the extent to which ideological and political factors created an environment in which Serco's interests were viewed more favorably than others.

Serco also assisted¹⁶ one current Minister during a study tour to the UK to research developments in public service contracting and the report of that study tour shows that a proportion of the meetings and discussion that took place were with Serco Directors and Executives¹⁷, including the former Director of the Serco Institute. On return to WA the MP made a speech in the Parliament promoting the virtues and benefits of Serco as a corporation who should run more public services and public functions.

In the UK and Australia Serco also has a history of gaining and using insider knowledge to assist in its business activities and to secure public sector business. This includes:

- Employing former public servants with specialist insider knowledge and access as consultants/advisers and seniors executives¹⁸.
- Using personal and professional relationships and linkages with people working inside Government to secure knowledge and information and contacts that will benefit Serco's business interests. Serco Watch has been advised that in Western Australia concerns existed inside one Government agency about links between Serco and former and current agency decision makers.

¹⁷ Developments in Public Private Partnering, Report of Imprest Account funded travel by the Hon Troy Buswell, Member for Vasse, www.parliament.wa.gov.au/publications/tables/displaypaper/381311

¹⁸ Adetunji, J (2011) Row erupts over Birmingham prison privatisation, *The Guardian*, April 1, 2011 <http://www.guardian.co.uk/public-leaders-network/2011/apr/01>

- Employing private consultancy firms who have gained insider knowledge of Government processes and protocols gained through previous consultancy work. Serco Watch has been advised that in bidding for a State Government contract Serco employed the same consultancy firm that had worked with the Government agency to prepare the public sector comparator and business case upon which the decision was made to outsource the particular public function.
- Paying former politicians to assist advance its business interests. In NSW for example links between Serco and Labor MP's were highlighted by the case of a Labor MP who chaired a NSW Parliamentary Committee Inquiring into Prison Privatisation at the same time that Serco was keen for NSW Government to privatise more prisons. The MP accepted a donation from Serco at the time he was Chair of the Inquiry into Prison Privatization. In addition his father, a former Federal Labor MP was a lobbyist for Serco at the time it was bidding to run more two more prisons in NSW.

HOW MUCH CONSIDERATION WAS GIVEN IN THE DECISION MAKING PROCESS TO THE EVIDENCE DEMONSTRATING SERCO'S RECORD OF FAILURE TO DELIVER PUBLIC SERVICES AND PUBLIC FUNCTIONS IN THE PUBLIC INTEREST?

Based on the documents released about the Fiona Stanley contract and the public statements made there appears to have been very little consideration given to the growing body of evidence that demonstrates Serco's inability to deliver public services and public functions in a way that is in the public interest.

There is a huge body of evidence that raises fundamental questions about Serco's suitability to deliver public services and public functions effectively, and in an accountable and transparent way. Yet there is no evidence in any of the documentation or statements released about the Fiona Stanley contract to suggest that this evidence was considered in the decision making process about Serco's suitability as a provider of services at Fiona Stanley Hospital. Rather, the documentation endorses the view that Serco has a worldwide reputation for the quality of its service delivery.

Statements made by the Minister and in documents issued by the Health Department indicate that Serco's record of the use of technology in its UK hospitals was a factor in their being awarded the contract. This included the provision of bed-side entertainment system with meal ordering functionality and a centralized scheduling service.

Yet there is nothing in any of the documentation or statements released about the Fiona Stanley contract to suggest that Serco's record of failure in providing public services in either the UK or

Australia was assessed and considered in the decision making process about their suitability as a provider of services at Fiona Stanley Hospital.

Serco Watch is concerned about a process in which the use of technology is cited as an important reason for awarding a contract, whereas Serco's poor record of delivering human services, particularly to vulnerable people, does not appear to have been a factor in the decision making process.

If the information about Serco's poor record was not considered in the decision making process then the Committee should investigate why. If that information was considered in the decision making process then the Committee should investigate the significance and importance attached to that information in the decision making process.

We urge the Committee to investigate whether there was any serious analysis and consideration given to Serco's poor record of delivering human services and their record of the ill treatment of vulnerable people as part of the contract decision making process. For example was any weighting given to the very real risks for this contract because of Serco's past record? Was Serco's poor record of treating vulnerable people quantified and factored in to the risk management and compliance plans and the performance standards.

We do not intend to provide a detailed analysis of Serco's poor record in this submission, other than to make comment about a number of relevant areas.

Immigration detention

Since 2009 Serco has run Australia's 24 Immigration detention centres for the Federal Government (and DIAC). Their record is instructive in demonstrating their unsuitability for providing public services and public functions and the pitfalls of outsourcing human services to a corporation like Serco.

Serco's management of immigration detention has been characterized by a litany of failures including:

- Highly critical official inquiries and reports by statutory authorities and Government agencies
- Scathing inspection reports
- Regular protest
- Long history of contractual breaches
- Constant breaches of duty of care
- Hunger strikes, riots and fires
- Breakouts

- Law suits
- Millions in compensation to asylum seekers injured in detention
- Epidemic of self-harm
- Suicides
- Denial of medical and health services
- Daily and weekly exposes in the media about failings and problems in detention centres

There is also a huge body of evidence from immigration detention which shows patterns of behavior by Serco which should disqualify it from the delivery of public services. Evidence on the public record shows¹⁹:

- Poor record of compliance with contractual requirements, including constant contract breaches
- Understaffing and inadequate staffing levels
- Use of unqualified and untrained sub-contractors
- Failure to manage OHS risks and breaches of the Occupational Health and Safety Act
- Lack of adequate risk management processes
- Denial of health and medical services to people in their care
- Lack of access to physical and mental health services
- Failure to adequately monitor vulnerable people at serious of self-harm and suicide
- Untrained Serco staff denying medical treatment to people and making decisions about people's physical and mental health
- Rough handling of children and the use of force and aggression with vulnerable people
- Provision of an unsafe working environment for staff and clients.
- Lack of policy and planning to manage critical incidents
- Inadequate response to life threatening incidents
- Escalation of critical incidents resulting in harm and even death to people in their care
- Underreporting and cover up of incidents to avoid abatements²⁰

¹⁹ Tabakoff N (2011) The cell of secrecy, *The Daily Telegraph*, May 14 2011 <http://www.dailytelegraph.com.au/locked-away-in-the-cells-of-secrecy>

²⁰ Tabakoff N (2011) The cell of secrecy, *The Daily Telegraph*, May 14 2011 <http://www.dailytelegraph.com.au/locked-away-in-the-cells-of-secrecy>

- Provision of an unsafe work environment

A recent investigation by Comcare provides a scathing assessment of Serco's mismanagement of detention centres²¹. The Report paints a picture of systemic mismanagement and incompetence. This is despite being paid what amounts to more than \$1 billion dollars²² by the Federal Government. The Report found:

- Serco has no risk management process despite the highly volatile environment
- There is systemic undertraining of staff and staff are not trained to the level where they are competent and confident in their jobs
- There is no plan to alter staffing levels to deal with dramatic fluctuations in detainee numbers
- There is no effective written plan to deal with critical incidents like riots and suicide attempts
- No steps are taken to manage detainees religious and cultural needs, detainees are roomed together when there is a history of extreme violence between their ethnic groups in their home countries

There is also a huge body of evidence about the suffering, misery and harm inflicted on children and asylum seekers under Serco's care and control in Australia's immigration detention centres²³. Evidence shows a significant number of deaths in custody, an epidemic of suicides, an epidemic of self-harm and suicide attempts, hospitalization of detainees for self-inflicted injuries and injuries inflicted by other detainees and Serco staff, psychiatric admissions and health related concerns resulting from hunger strikes, poor medical care and a growing epidemic of mental health problems among detainees.

This submission won't go into this in great detail but interested readers could study the submissions to the Joint Select Committee on Australia's immigration Detention Network, accessible through the website of the Australian Parliament²⁴.

Staffing

In the Fiona Stanley contract it appears that Serco will be responsible for all human resource management and industrial relations functions, including the recruitment of clinical and non-

²¹ ABC Lateline (2011) Report scathing of detention centre conditions, <http://www.abc.net.au/news/2011-08-11/comcare-report-scathing>

²² Tabakoff N (2011), \$1 billion bonanza in asylum contract, *The Herald Sun* May 14, 2011, <http://www.heraldsun.com.au/news/more-news-/billion-bonanza>

²³ Needham, K (2011) Concerns at rising number of detainees self-harming, *The Age*, July 30 2011 <http://www.theage.com.au/national/concern-at-rising-number>

²⁴ www.aph.gov.au/Senate/Committees

clinical staff and volunteers to work at Fiona Stanley Hospital. Unions and medical groups have raised concerns about the level of preparedness for staff recruitment.

Evidence from Serco's management of Immigration detention centres indicates major failings in their management of their staffing responsibilities²⁵. What is occurring in immigration detention is a major staffing crisis.

Serco has long claimed that it runs comprehensive staff training programs that "go beyond its contractual obligations²⁶". But the evidence from immigration detention indicates that is not the case.

There is growing evidence that Serco's provision of training to its staff and sub-contractors in immigration detention is grossly inadequate and in breach of its contract^{27 28}. This has been a common issue raised by Serco staff and documented in the findings of various reports, inquiries and investigations into Serco's management of Immigration detention. A recent coronial inquest into a death at Villawood Detention Centre found that Serco's use of staff without accredited training puts it in breach of its contract²⁹.

Serco staff report that the company provides little or no training to prepare them for the situations they face in immigration detention. Indeed Serco Executives confirmed at a recent Parliamentary Inquiry hearing that many staff working in detention centres had not received the minimum amount of training required under their contractual agreement.

In immigration detention the evidence shows that

- Serco relies heavily on sub-contractors many of whom are unqualified and untrained. Recent reports show that casual workers, including backpackers, students and young people straight out of high school have been transformed into officers working in immigration detention.
- The use of sub-contractors leads to an erosion of service standards.³⁰
- Serco operates with reduced staffing levels and is accused of deliberately inflating staff numbers.
- Serco places inadequate and poorly trained staff in roles and positions far beyond their skills and training. The most recent example is the revelation that Serco used teenagers

²⁵ Lloyd, P (2011) Guard blows whistle on detention centre conditions, *Lateline*, ABC News, 5/5/2011, <http://www.abc.net.au/lateline/content/2011>

²⁶ Keep J & Vaughan A (2011) Detainees used lighter in a bid to prevent suicide.

²⁷ Lloyd 2011, Needham, 2011, *Lateline* 2011

²⁸ Barlow, K & McClymont A (2011) Poor staff training blamed for Villawood riot <http://www.abc.net.au/news/stories/2011/o4/22/3198546>

²⁹ Barlow, K and ABC *Lateline* (2011) Coroner concludes hearing into detention suicide, *ABC News*, <http://www.abc.net.au/lateline/content/2011/s3319935.htm>

³⁰ Farrell, P & Lowenstein, A (2010) Serco's paper trail raises accountability questions, *Crikey*, 1 November 2010

straight out of school and office staff as security staff during recent riots on Christmas Island.³¹

- Staff are exposed to OHS risks: Serco staff and sub-contractors are also exposed on a daily basis to serious risks, due to inadequate training and under staffing and failure to put in place adequate risk management and OHS policy and plans.
- Serco regularly flies in staff from its overseas operations and there are allegations that Serco misuses the 457 Visas to allow staff to come from the UK.
- The Government agency responsible for monitoring the contract does not monitor Serco's compliance with the contractual requirements, for example that all Serco staff have completed accredited training³².

Another important issue is the impact of this ill treatment of vulnerable people and children on Serco staff and employees. The recent death of Kieran Webb who was working as a Serco sub-contractor (for MSS Security) at the Curtin Centre is a graphic illustration of risks associated with the harmful impact on staff. Webb committed suicide after having been deployed by Serco to cut down a detainee who had hanged himself at the Curtin Detention Centre. Webb was not employed or trained for that role³³.

Deaths in custody and care

In the UK and Australia Serco has a troubling record of deaths in custody and in care that points to a callous disregard for human life. The number of deaths, including children, puts a rather unsettling perspective on the Serco company slogan "Bringing services to life".

Disturbingly, Serco has not been held to account for its role in these deaths, despite coronial inquiries finding that a number of deaths resulted from systemic failures by Serco. There have been no criminal or legal charges over any of these deaths. In the UK Serco is facing possible investigation for corporate manslaughter in the death of 14 year old Adam Rickwood (for more detail see pages 21-22). In a number of cases family members of those who died pursue legal action against Serco.³⁴

Serco usually describes each death as a tragedy, thereby shifting responsibility from their systemic failures and neglect. In many of the deaths it has only been persistent and constant advocacy by family members that has uncovered the truth.

³¹ Buckley-Carr, A (2011) Office staff allegedly forced to quell riot, *The West Australian*, October 6, 2011 <http://au.news.yahoo.com/thewest/a/-/breaking/10407708/office-staff>

³² Lateline (2011) Coroner concludes hearing into detention suicides, <http://www.abc.net.au/lateline/content/2011/s3319935.htm>

³³ Taylor, P (2011) Detention toll too much for centre guard, *The Australian*, July 11 2011 & Salna, K (2011) Living hell hole still taking a toll, *Sydney Morning Herald*, July 12, 2011.

³⁴ Ting, I (2010) Immigration detention: 27 dead and (not counting) *Crikey*, 24 September 2010, <http://www.crikey.com.au/2010/09/24/immigration-detention-27-dead>

In the case of 14 year old Adam Rickwood it took 7 years of investigation and advocacy by his mother and advocacy groups to get a High Court challenge to the original investigation into the death and a second Inquiry. Only then, 7 years after Adam's death, was the shocking truth uncovered.

Deaths in Australian immigration detention centres

In Australia the number of deaths in immigration detention centres since Serco took over the contract are not officially recorded or known. DIAC and Serco refuse to release figures on the number of deaths in detention, despite the deaths meeting legal definitions for "deaths in custody"³⁵.

There have been 6 deaths, possibly hundreds of undocumented suicide attempts and over 1500 acts of voluntary starvation³⁶ in Serco run immigration detention centres in the last year.³⁷

Despite Serco's claims that it has learned from the previous deaths and suicides and its changed policies and practices, deaths keep occurring.

In 2010 three men killed themselves in Villawood Detention within 3 weeks- Josefa Rauluni, Ahmed Al Akabi and David Saunders. Serco described the deaths as "tragic", again deflecting any responsibility for the deaths.

A coronial inquest found that Josefa Rauluni threw himself off a balcony railing while surrounded by aggressive Serco guards. Serco staff placed a mattress on the ground and taunted Rauluni to jump claiming that staff were coming to get him and take him to the airport for deportation. In a damning report the NSW Coroner found that Serco staff escalated the situation, causing Rauluni to jump and that the death was entirely preventable.

The Coroner found that Serco staff lacked the skills to deal with serious threats of self-harm and no trained negotiators were on site. Some of the Serco officers involved had not completed Australian accredited training as required in their contract and the Government agency responsible for contract management simply assumed that all Serco officers were qualified. The inquest found there were no plans, no protocols and a lack of coordinated response between Serco and DIAC³⁸.

³⁵ Ting, I (2010) Immigration detention: 27 dead and (not counting) *Crikey*, <http://www.crikey.com.au/2010/09/24/immigration-detention-27-dead>

³⁶ Asylum Seeker Resource Centre (2011) Statistics Asylum seekers and Detention, Reported medical and mental health incidents in detention June 2009- July 2011 www.arc.com.au

³⁷ These statistics reflect gross underreporting for a number of reasons. Refugee activists claim that underreporting occurs partly because of a concern that reporting incidents will result in fines (abatements), partly because staff can't be bothered because no action results and partly because reporting protocols miss many incidents.

³⁸ Lateline (2011) Coroner concludes hearing into detention suicides, 16/9/2011 <http://www.abc.net.au/lateline/content/2011/s3319935.htm>

The Inquest into the death of Ahmed Al Akabi was critical of Serco's provision of mental and physical health services at Villawood. Mr Al Akabi was likely suffering an undiagnosed major depressive disorder but was not screened, medicated or followed up properly. Detainees claimed that they were forced to cut down Mr Al Akabi with a cigarette lighter because the Serco guards were ill-prepared to respond.

In March 2011 a 19 year old asylum seeker committed suicide at Curtin Detention Centre.

In March 2011 a 20 year old man Miqdad Hussain hung himself in a Queensland detention centre. His family claimed foul play after Hussain reported death threats.

Serco's culture of disbelief and contempt towards people in its care is confirmed by a recent internal memo which dismissed claims that people's lives were at risk by suggesting that people in detention were fabricating claims of self-harm and "creating a self-harm culture" as a bargaining tool.³⁹

Deaths in In the UK

In the UK Serco also has a high rate of deaths in custody and care (including immigration detention prisons, juvenile detention centres and prisons), although very little is ever revealed about the circumstances of those deaths by Serco or the responsible Government agency, unless there is a coronial inquiry (as occurred in the case of Adam Rickwood)

In July 2011 two men died in Colnbrook Centre run by Serco. The circumstances of the death have sparked police investigations.

One man who died was 47 year old Muhammed Shukat, a Pakistani national who reportedly died of coronary heart disease. Other detainees claimed that his agonized and repeated cries for help from severe chest pains were ignored by Serco staff for nearly 2 hours. His cell mate spent hours banging on the door seeing help. Detainees claim that Serco staff did not take Muhammed Shukat's pleas for help seriously. Reportedly members of the Serco health and medical team entered the room, found Shukat on the floor gave him medication and placed him back in bed. They delayed calling an ambulance⁴⁰.

Three weeks later a 35 year old American man was found dead in his cell in the Colnbrook Centre. The cause of death was reported to be a ruptured aorta through natural causes, although the cause and circumstances of the death are not known.

³⁹ Corporate Watch August 12, 2001 Serco dismisses self-harm in immigration prisons as bargaining tool <http://www.corporatewatch.org.uk>

⁴⁰ Taylor, D & Taylor, M (2011) Detention centre death sparks police investigations, Guardian, 5 August 2011, <http://www.guardian.co.uk/uk/2011/aug/05/detention-centre-deaths>

An article in the British Medical Journal⁴¹ argued that the deaths highlighted the parlous state of healthcare provided by Serco to detainees in immigration detention (as in Australia). The parlous state of healthcare was confirmed by the group Medical Justice and the local MP who feared there would be more deaths⁴².

After these deaths Serco expressed deep regret and claimed that “the health and wellbeing of the residents of our care is always Serco’s top priority”⁴³.

In a Serco run adult facility in Scotland a 27 year old died of meningitis despite repeated pleas for medical assistance.

WAS SERCO’S POOR RECORD IN DELIVERING HUMAN SERVICES TO VULNERABLE PEOPLE CONSIDERED IN THE DECISION MAKING PROCESS?

Point 3: The decision to award the contract to Serco is fundamentally flawed as there appears to have been no serious consideration given to Serco’s poor record in delivering “human services” to vulnerable people in Australia and the UK

Serco is being given greater responsibility to manage and provide human and public services to vulnerable and disadvantaged people without regard for the accepted safeguards and protections necessary in a functioning democracy. This is certainly true at Fiona Stanley Hospital.

In the delivery of “human services” Serco has a record of mistreatment and abuse of vulnerable people in its care in both Australia and the UK that should disqualify it from providing hospital and health services. Serco has allowed policies and practices that have caused the deaths of children and inflicted serious harm and damage on vulnerable children and youth.

Serco’s record includes systemic human rights abuses, mistreatment and abuse of children and juveniles, death of people in its care, use of illegal regimes such as excessive force and illegal restraint techniques, excessive profit taking, failure to provide basic services, inadequate and poorly trained staff, lack of transparency and accountability, ‘sex for favor’ incidents involving Serco staff and detainees, failure to protect children from abuse, failure to have policies and practice in place to protect people, failure to investigate abuses, poor management and escalation of major incidents, aggressive management of behavior resulting in serious harm and even death, failure to report and cover up of incidents and failure to meet contract standards to name a few.

⁴¹ Siva, N (2011) Deaths at UK Immigration detention centres prompt concerns about inadequate healthcare, British Medical Journal, 2011,343, <http://www.bmj.com/content/343/bmj.d5172.extract>

⁴² Taylor, D & Taylor, M (2011) Detention centre death sparks police investigations, Guardian, 5 August 2011, <http://www.guardian.co.uk/uk/2011/aug/05/detention-centre-deaths>

⁴³ Corporate Watch August 12, 2011 Serco dismisses self-harm in immigration prisons as bargaining tool <http://www.corporatewatch.org.uk>

Serco Watch is deeply concerned that the care of children and other vulnerable people in Western Australia is in the hands of a multinational corporation with such a poor record. We believe this is an abrogation of the Government's responsibilities for the health and wellbeing of vulnerable people in favor of a corporation that has failed so regularly in that regard.

Serco Watch believes that large multi-national corporations driven by profits should not be providing human services to vulnerable people. Serco Watch would remind the Committee that the most shocking recent failure in the delivery of services to vulnerable people in the State involved a multinational corporation providing outsourced services on behalf of the State Government. We are talking about G4S and its responsibility for the death of Mr Ward.

We ask- was Serco's record of the ill-treatment of vulnerable people, including children and juveniles, considered as part of the contract decision making process? And if not why was their record not considered important? We urge the Committee to investigate these questions to determine whether a detailed analysis of Serco's record of the treatment of vulnerable people was part of the contract decision making process.

Serco Watch finds it particularly troubling to note the extreme disparity between statements about Serco's record in the documentation about the Serco contract for Fiona Stanley Hospital and the reality of their record of conduct here in Australia and elsewhere. We believe Serco's poor record required far more scrutiny than it clearly received during the contracting process.

This submission is not the place for detailed analyses of Serco's record; however we provide some examples where they are relevant to show that the company's record disqualifies it from running a public hospital.

Serco's poor record in immigration detention in Australia has been described previously. In this section we focus on their ill-treatment of children and juveniles and their history of deaths of vulnerable people in their care and custody.

This record includes a number of deaths and serious harm to children and deaths in custody which puts a rather unsettling perspective on the Serco company slogan "Bringing services to life".

Ill-treatment of children and juveniles

The death of Adam Rickwood

14 year old Adam Rickwood is the youngest person to die in custody in the UK in over 2 decades. Adam took his own life in 2004 after being assaulted and subjected to illegal regimes of force (such as the "nose distraction technique" which essentially is a karate chop to the underside of the nose) by Serco officers in the Serco run Hassockfield "youth training facility" after he refused to go to his locked cell. To force Adam to submit to their order Serco staff performed various illegal techniques (known as nose distraction techniques) which made his nose swell and bleed

for hours. Adam was returned to his cell and left unattended, where he wrote a letter of complaint and a suicide note to his mother and then took his own life.

A second inquest into Adam's death in 2011 found that the illegal restraint used by Serco staff was a contributing factor in his death and concluded that there was serious systemic failure by Serco in relation to the illegal use of restraint and force. Officers claimed that they did not know they could not use such types and levels of force. The inquest found serious training and operational failures. Serco staff were not adequately trained in behavior management, suicide awareness, physical restraint techniques or managing self-harming inmates.

Serco was found to have overseen a breakdown in systems that gave rise to "unlawful regimes" and systematic illegality. Serco continues to face the threat of legal action for corporate manslaughter over Adam's death.⁴⁴

The death of Ethan Kerrigan

Six year old Ethan Corrigan died of a burst appendix after his parents followed advice given by a staff member in a Serco Health run after-hours medical helpline attached to a local hospital in Cornwall⁴⁵. After attending the emergency ward of the local hospital because of his sons stomach pains and vomiting, Ethan's father was referred to the Serco Health run medical after-hours helpline because there were no Doctors on duty at the time. Ethan's father was asked by the Serco staff member to examine his son in the car park, after which the staff member advised him to take his son home, give him some medication and a warm bath and make an appointment to see a GP the following day. The next day Ethan collapsed at the GP surgery and died later in hospital.

A Serco spokesperson was quoted as saying:

"The death of Ethan Kerrigan was a terrible tragedy..... We feel the nurse should have asked more questions. However, on the information given, we feel the advice she gave was appropriate"⁴⁶

The local MP Andrew George called for Serco's contract to be stopped and raised questions about Serco's standards of clinical care. He claimed that cost cutting was keeping people out of hospital in dangerous circumstances.⁴⁷

Andrew George said:

⁴⁴ Wilson, P (2011) Suicide of 14 year old inmate dogs Serco, *The Australian*, May 9, 2011

⁴⁵ Cornish Guardian, October 5, 2011, Helpline missed symptoms hours before boy 6 died <http://www.thisiscornwall.co.uk/Helpline-missed-symptoms>

⁴⁶ <http://www.thisiscornwall.co.uk/Helpline-missed-symptoms>

⁴⁷ <http://www.bbc.co.uk/news/uk-england-cornwall-15107111>

“ we’ve always been concerned about a private company which has to meet key performance indicators, which has to do with how quickly they answer the phone and whether they get a clinician talking to, at least, if not seeing, patients within certain time periods...”

Andrew George said the system was under pressure to drive down costs and to avoid unnecessary and avoidable admissions.

“You only know that they are unnecessary and avoidable in retrospect. Until you’ve got a diagnosis of someone’s condition it could be potentially serious”.

The death of Andrew Kerrigan is one of a long list of problems with Serco’s running of after-hours GP services in Cornwall. MP’s have long argued that people’s lives are at risk.

Hassockfield Centre

A report into the Serco run Hassockfield Secure Training Centre found that 21 children had been injured after being restrained. The Howard League for Penal Reform wrote about Serco’s management of the Centre:

“Children held in Hassockfield Secure training Centre have been subject to violence, danger, fear and possibly abuse.... the inspection regime for STC’s has failed to provide assurance that children in those institutions are being cared for safely.”

Despite the long running problems at Hassockfield a May 2011 Inspection Report found that the protection of children from harm and neglect and helping them stay safe was still inadequate. The facility received the lowest possible rating and the “inadequate” ranking on safeguarding meant that children are seriously at risk⁴⁸.

Carlisle Report

A report by Lord Carlisle into physical restraint, solitary confinement and forcible strip searching of children in prisons and training centres, some of which were run by Serco, found that children were at serious risk of injury or death through the ongoing use of illegal restraints. Serco was cited 44 times in the Report.

Yarl’s Wood

The Serco run Yarl’s Wood Immigration Detention Centre has been the subject of numerous complaints, investigations and High Court challenges. The record of Serco toward children at the Centre is shocking. Medical evidence has found that children are suffering serious psychological and physical harm.⁴⁹

⁴⁸ Crook, Frances (2011) Ofsted Report on Hassockfield STC, <http://www.howardleague.org/francescrookblog/ofsted-report-on-hassockfield>

⁴⁹ Williams, R (2010) Yarl’s Wood staff criticised for poor investigation into child sex case, *The Guardian*, Monday June 14, 2010 <http://www.guardian.co.uk/uk/2010/jun/14/yarls-wood-sex>

The UK Children's Commissioner found that children at the Serco- run Yarl's Wood Immigration Detention Centre were handled violently, left at risk of serious harm and denied urgent health care and medical treatment⁵⁰. The Commissioner described children who were neglected and treated cruelly. Force was used to separate children from their parents and children were dragged on the floor and thrown on the ground⁵¹. Children reported that Serco officers were aggressive, rude and violent. Children were often watched by Serco officers of the opposite sex whilst dressing. Children were often transported in caged prison vans and denied toilet breaks and food and water⁵².

A 10 year old girl in Yarl's Wood tried to kill herself after healthcare staff refused to refer for her treatment for mental health problems.⁵³

Cases involving early sexual activity by 5 year olds and sexual abuse of children were not properly investigated⁵⁴.

The Commissioner found that basic safeguards were failing, welfare issues were neglected and that children suffering from serious medical conditions and the mentally ill were routinely kept in detention despite guidelines stating they should not be. The Commissioner described cases such as diabetic children left untreated and an eight month old baby with asthma was neither treated nor given an inhaler. Children were also not treated for diarrhea and locked in cells for long periods.

There are longstanding concerns about Serco's provision of healthcare at Yarl's Wood. The UK Guardian reported on a succession of damning reports on Serco's provision of healthcare at Yarl's Wood⁵⁵. There have been regular calls for healthcare to be transferred from Serco. Three Doctors employed by Serco at Yarl's Wood were investigated by the General Medical Council over numerous allegations of substandard patient care⁵⁶. There were regular outbreaks of vomiting bugs and chicken pox.⁵⁷

⁵⁰ Dugan E (2009) Inside Yarl's Wood: Britain's shame over detainees, *The Independent* Sunday 26 April 2009 <http://www.independent.co.uk>; see also Corporate Watch, Yarl's Wood: A Case Study: Immigration Prisons, brutal, unlawful and profitable

⁵¹ See Dugan 2009

⁵² Verkaik, R (2010) Child asylum-seekers split from their families by force, *The Independent*, 24 March 2010 <http://www.independent.co.uk/news/uk/home-news/child-asylumseekers>

⁵³ McVeigh, K (2010) Demand for investigation of three Doctors at Yarl Wood, *The Guardian* March 22, 2010, <http://www.guardian.co.uk/2010/mar/22/yarls-wood-doctors>

⁵⁴ Williams, R (2010) Yarl's Wood staff criticised for poor investigation into child sex case, *The Guardian*, Monday June 14, 2010 <http://www.guardian.co.uk/uk/2010/jun/14/yarls-wood-sex>

⁵⁵ McVeigh, K (2010) Demand for investigation of three Doctors at Yarl Wood, *The Guardian* March 22, 2010, <http://www.guardian.co.uk/2010/mar/22/yarls-wood-doctors>

⁵⁶ Snorkel to Serco, <http://cockroachcatcher.blogspot.com/2010/11/snorlet-to-serco>; see also McVeigh (2010)

⁵⁷ Dugan E (2009) Inside Yarl's Wood: Britain's shame over detainees, *The Independent* Sunday 26 April 2009 <http://www.independent.co.uk>; see also Corporate Watch Yarl's Wood: A Case Study: Immigration Prisons, brutal, unlawful and profitable

UK Human rights campaigners and lawyers issued a High Court challenge against Serco and the UK Government claiming systematic disregard for human rights and constant breaches of human rights standards.⁵⁸

Conditions were so poor at Yarl's Wood that MP's called for Serco to be stripped of responsibility for health care. Local MP John McDonnell said:

"There is an underlying conflict of interest when you have a private company which is run for profit running healthcare. The best way of ensuring openness, transparency and avoiding conflict of interest, and ensuring that people are getting a fair standard of healthcare, is to have it run by the NHS."

Damage to children in immigration detention in Australia

There is also a huge body of evidence about the suffering, misery and harm inflicted on children asylum seekers under Serco's care and control in Australia's immigration detention centres.

Psychiatrists and mental health professionals have described how children in Serco (and DIAC's) care display serious psychological damage and mental health problems as a result of their experience. This includes self-harm in young children, separation anxiety among infants, severe depression and mental illness. Psychiatrists also describe how children are traumatized and damaged by Serco's intrusive procedures such as separating families, nightly headcounts, limited excursions and outings and the control asserted over family movements and family activities⁵⁹.

The Australian Medical Association recently gave evidence to the joint Select Committee into Australia's Detention Network in which it expressed grave concern for the mental wellbeing and welfare of children in the care of Serco (and DIAC). The AMA claimed that nearly one third of children in detention in Serco's care were affected by depression and reported a case of a 9 year old in Serco's care who was admitted to hospital after trying to commit suicide⁶⁰.

The AMA claimed that the detention and treatment of children by Serco and DIAC is a form of child abuse⁶¹.

Serco Watch finds it deeply troubling that a private corporation making profit out of such suffering and misery has been rewarded by the WA Government with a contract to run services at a public hospital and provide services to vulnerable people, despite its poor record.

⁵⁸ High Court will hear Yarl Woods abuse case, <http://ncadc.wordpress.com/2010/03/19/high-court-will-hear>

⁵⁹ Needham, K (2011) Families destroyed by asylum detention *Sydney Morning Herald*, August 3 2011.

⁶⁰ Vasek L (2011) Mandatory detention of asylum seekers like child abuse AMA tells inquiry, *The Australian*, September 26 2011 <http://www.theaustralian.com.au/national-affairs/immigration>

⁶¹ Vasek L (2011) Mandatory detention of asylum seekers like child abuse AMA tells inquiry, *The Australian*, September 26 2011 <http://www.theaustralian.com.au/national-affairs/immigration>

REDUCED ACCOUNTABILITY, TRANSPARENCY AND DEMOCRATIC CONTROL

Point 4: The decision to award the contract to Serco and the secrecy surrounding contract details, including the failure to make public the “public comparator” and business case used in contract decision making and the use of commercial confidentiality to prevent scrutiny of the contract has the intentional effect of reducing public accountability, transparency and democratic control.

The rationale and arguments presented for outsourcing public services and functions to Serco and any other corporation are highly contested.

Furthermore, in the case of this contract, the failure to release the public sector comparator and business case used in the outsourcing of services to Serco Australia means that the arguments used for awarding the contract cannot be publicly tested.

All that has happened so far with this contract points to a contract decision making process and contractual arrangement that reduces public accountability, transparency and democratic control.

Indeed, this is the general experience with Serco’s contracts in Australia and the UK, and is an intentional consequence of the privatization and outsourcing of public services and public functions to the corporate sector.

Lack of accountability and failure to comply with contractual and social obligations

What is instructive about Serco’s management of Immigration detention is the complete lack of accountability exercised over Serco by DIAC, the Government agency responsible for managing the contract. What exists is a complete lack of any real and authentic public accountability, and particularly a complete absence of moral and democratic accountability.

In essence the only accountability measure directed at Serco is monetary fines (abatements). Although there is dispute over whether these fines are ever really paid by Serco.

In a submission to the Joint Select Committee on Australia’s Immigration Network, a former DIAC compliance Officer provides some insight into the complete lack of public accountability. He claimed that DIAC had little knowledge of what went on inside Serco and that there was a complete lack of accountability for the contract. Serco in fact dictates and controls accountability and the only accountability measure used by DIAC were fines.

The former DIAC Officer argued that the lack of any real accountability measures other than fines resulted in Serco and DIAC showing little consideration for human welfare.

Numerous reports have documented that much of what happens in detention centres is neither recorded by Serco nor known to the Government agency responsible for monitoring the contract. Essentially Serco is unaccountable in any significant sense.

For example Greens Senator Sarah Hanson Young argues that Serco conceals reports of major incidents such as self-harm and suicide attempts under the guise of ‘commercial-in-confidence’. Refugee activists and Serco staff have consistently exposed this pattern of behavior by Serco⁶². Serco staff report that Serco keeps the truth of what happens in detention centres from DIAC and the Federal Government and there have been accusations by Serco staff of documents being destroyed⁶³.

A critical factor is the Serco’s use of subcontractors which has the effect of limiting the capacity of Governments to monitor and scrutinize the extent to which contractual requirements are being met.⁶⁴ The evidence from immigration detention is very clear that Serco is unable to effectively manage its subcontractors.

Michael Grewcock, from the Law School at the University of NSW argues that the lack of accountability in the outsourcing of public services in immigration detention is in fact intentional and is designed to distance and insulate Governments from criticism and accountability when things go wrong⁶⁵:

“ The removal of direct Ministerial control over the daily operation of detention centres not only allows governments to distance themselves from practices that might be condemned as abusive but also has a deadening effect on public discussion”.

Former WA Inspector of Custodial Services Richard Harding also raised concerns about the lack of genuine accountability of Governments over corporations like Serco:

“These big global companies in relation to specific activities are more powerful than the Governments they’re dealing with⁶⁶”.

The UK CEO of Serco acknowledges that the demands of public and democratic accountability are not major issues for Serco to worry about:

“It’s pretty much we work for civil servants really. There’s not much that we do that has to go through Parliament for decisions.”⁶⁷

The inability of WA Government agencies to effectively regulate and monitor the operations and performance of multinational corporations whose rationale is profit maximization was

⁶² Needham, K (2011) Concern at rising numbers of detainees self-harming, *The Age*, July 30, 2011 <http://www.theage.com.au/national/concerns-at-rising-number>

⁶³ Lloyd, P (2011) Guard blows whistle on detention centre conditions, *Lateline, ABC News*, <http://www.abc.net.au/lateline/content/2011/s3209164.htm>

⁶⁴ Farrell, P & Loewenstein, A (2010) Serco’s paper trail raises accountability questions, *Crikey*, 1/11/2010

⁶⁵ Sydney Morning Herald (2010), Firm that does the dirty work for Government on the cheap, September 25, 2010 <http://www.smh.au/nsw/firm-that-does-the-dirty-work>

⁶⁶ Quoted in Bernstein, N (2011) Companies use Immigration detention crackdown to turn a Profit, *New York Times*, 28 September 2011 <http://www.nytimes.com/2011/09/29>

⁶⁷ Sambrook, C (2010) Surveillance+ detention= Billions: How Labor friends are ‘securing your world’, *Open Democracy*, <http://www.opendemocracy.net/print/53679>

confirmed in a recent WA Auditor General's Report⁶⁸. The Auditor General found that corporations were failing to meet their environmental and social obligations and Government agencies were unable to effectively regulate and enforce the social and environmental activities of private corporations⁶⁹.

Diversion of Public funds to corporate and private interests

One concern about the lack of scrutiny, accountability and transparency of Serco contracts and practices and the use of "commercial in confidence" clauses is that it results in significant amounts of public funds being diverted from the public purse to enrich and benefit corporate and private interests. In respect to Serco this has taken a variety of forms including:

Excessive profit taking

Serco's immigration detention contract has regularly been increased without public scrutiny or public transparency. As a result, Serco's revenues and profits for the immigration detention centre system have increased exponentially without any public accountability and despite evidence of mismanagement and incompetence. The Federal Government will pay in excess of \$1 billion to Serco to run immigration detention; however neither Serco nor the Federal Government will disclose the full cost of the contract to the Australian public.

Serco claims that making public the actual cost of the contract and the level of profit they make out of immigration detention would result in "unreasonable prejudice" for the corporation. The level of profit taking by Serco on its immigration detention contract is described as shocking by Sydney University Accounting Professor Bob Walker.⁷⁰

Cost cutting

One way that corporations like Serco increase their profits from contracts is through reduced staffing, use of casual and contract staff and lowered pay levels.

Frances Crook Director of the Howard League for Prison Reform argues that the UK experience, like here in Australia, is that corporations like Serco increase their profits by cutting back on staff training, staff pay and staff pensions:

"Savings costs also leads to hiring personnel who lack qualifications and experience. Low pay and poor working conditions drive staff turnover upwards... There is no incentive by these private companies to provide services they are not contractually obliged to..."⁷¹.

⁶⁸ Mercer D (2011) Miners and state fail eco audit, *The West Australian*, Friday October 14 2011

⁶⁹ WA Auditor General's Report (2011) *Ensuring Compliance with conditions on mining*, www.audit.wa.gov.au

⁷⁰ Asylum seekers are gold for jailer <http://www.dailytelegraph.com.au/news/asylum-seekers-are-gold>

⁷¹ Quoted in Wilson, P (2011) The company behind the wire, *The Australian*, May 9, 2011 <http://www.theaustralian.com.au/news/features/>

Excessive salaries paid to CEO's and Executives

The UK experience is that CEO's and senior executives at corporations like Serco, who run corporations that provide public services using public funds are paid exorbitant salaries far in excess of their public sector equivalents. The British taxpayer funds ever-increasing salary packages for CEO's of outsourcing corporations such as Serco.⁷² The UK based CEO of Serco receives in excess of \$5million, the majority of which is paid by UK and Australian taxpayers.

Serco is a private corporation but is a creation of Government's drive to outsource services. The majority of their turnover- and the Executives enormous salary packages- come from the public purse. But there is little public accountability for these public funds⁷³.

Use of sub-contractors

Serco's approach to cost cutting is also exemplified by its treatment of sub-contractors. In 2010 when the British Government forced its largest contractors to accept price cuts for the services they provided for Governments, Serco wrote to its suppliers and sub-contractors telling them that it expected them to provide a 2.5% cash rebate. Using a tone of intimidation Serco wrote that:

“We are looking to determine who our real partners are that we can rely upon... Your response will no doubt indicate your commitment to our partnership”

The resulting public and political outcry forced the UK Government to demand that Serco to back down on its demands.

Excessive profiteering

Sydney University Professor Bob Walker has undertaken extensive research into the privatization and outsourcing of public services and has serious concerns about Serco's huge profits, describing it as a “river of gold”. Walker suggests that Serco has a 38% return on shareholder equity, which he describes as extremely high. Professor Walker raises concerns that Serco's huge profits are generated by serious cost cutting⁷⁴.

In the UK Serco was part of a consortium criticized for their involvement in the Norfolk and Norwich Hospital Private Finance Initiative. The PFI generated a profit of 60% for consortium members as a result of altering its borrowing terms, money all paid out of the public purse. Serco and other consortia partners refused to share with its public partners the windfall unless contractual benefits were added. The Chairman of the House of Commons described the behavior of Serco and the other consortium members as “the unacceptable face of capitalism”

⁷² Laurance,B (2011) Revealed: the new public service fat cats and why they are immune from cuts, Mail Online, 13 March 2011, <http://www.dailymail.co.uk/news/article-1365695>

⁷³ Laurance,B (2011) Revealed: the new public service fat cats and why they are immune from cuts, Mail Online, 13 March 2011, <http://www.dailymail.co.uk/news/article-1365695>

⁷⁴ Quoted in Tabakoff N (2011) The cell of secrecy, *The Daily Telegraph*, May 14 2011 <http://www.dailymail.com.au/locked-away-in-the-cells-of-secrecy>

because their excessive profit taking effectively drained huge amounts of money out of the public purse.

Tax minimization

A recent UK report into the ethical practice of corporations benefiting from the outsourcing and privatization of public services found that Serco was among the least ethical. The report by Ethical Consumer⁷⁵ found that Serco had among the lowest rating on various criteria, including anti-social finance (including tax minimization).

Restrictions on Serco staff and clients speaking out

This lack of any real public accountability is also evident in the restrictions placed on staff and professional workers in their ability to speak out about their work related experiences providing public services and public function for Serco.

In immigration detention a strict confidentiality agreement between Serco and the Federal Government places restrictions on staff speaking out about conditions, practice and their experience⁷⁶. Recent comments by Federal Government representatives to a Senate Estimate hearing were that:

“...under the contract Serco are required not to allow their staff to speak to the media. If staff do or if they make inappropriate comments Serco need to take action against them”⁷⁷.

In addition Serco imposes strict confidentiality agreements on its staff. Unions and refugee campaigners have consistently raised concerns about the implications of these restrictions for public accountability and transparency about public services.⁷⁸ Whistleblowers have confirmed that staff are too frightened to talk to anyone outside detention centres about incidents and practices for fear of being identified or sacked⁷⁹.

These concerns are justified as there have been examples of professional staff being sacked for raising questions and concerns about Serco’s practice and their impact on clients^{80 81}.

Failure to record and report incidents

In immigration detention there have been serious allegations that both Serco and DIAC actively cover up incidents occurring within centres⁸² and use confidentiality clauses to silence staff.⁸³

⁷⁵ <http://www.ethicalconsumer.org/Comments/Analysis/Features/Issthatwhatyoucallgoodservices>: False Economy, Research exposes ethical deficit at the heart of companies taking over public sector <http://falseeconomy.org.uk/blog/research-exposes-ethical-deficit>

⁷⁶ See United Voice submission to the Joint Select Committee on Australia’s Immigration Detention Network.

⁷⁷ Comments to the Legal and Constitutional Affairs Committee Senate Estimates Hearing, May 24, 2011.

⁷⁸ See submission by United Voice to the Joint Select Committee on Australia’s Immigration detention network.

⁷⁹ Prior, F (2011) Serco accused of brutality at detention site, The West Australian 25 August 2011.

⁸⁰ Taylor, P (2011) Second “leaker” suspended, The Australian May 3 2011.

⁸¹ Prior, F (2011) Serco accused of brutality at detention site, The West Australian 25 August 2011.

There is considerable evidence that Serco staff who try to report incidents internally are ignored. The United Voice submission to the Joint Select Committee on Immigration Detention cites cases where Serco staff who tried to report issues were regularly ignored. United Voice reports that many Serco staff feel that reporting incidents is a waste of time and writing reports is actively discouraged as it may potentially lead to abatements (fines) for Serco.

Refugee campaigners have long argued that Serco fails to record and report incidents and covers up incidents because such reports may lead to abatements and fines. Greens Senator Sarah Hanson-Young has claimed that Serco uses the guise of “commercial –in-confidence” to hide reporting of self-harm incidents⁸⁴.

All this creates a culture of silence and neglect within detention centres and a failure of public accountability and transparency over Serco’s operations and activities.

Preventing clients from speaking out

Serco also attempts to prevent clients and vulnerable people from speaking out about their treatment. At a recent inquest into the deaths on Christmas Island, Serco attempted to prevent detainees from giving evidence⁸⁵. An asylum seeker in Curtin Detention Centre accused Serco staff of threatening him if he continued to speak to the media.

CONCLUSION

Serco Watch appreciates the opportunity to make a submission and congratulates the Public Accounts Committee on initiating this Inquiry.

⁸² Tugwell, N (2011) Government accused of hushing up detention breaches, *ABC News Online* Investigative Unit, 21 July 2011.

⁸³ See United Voice submission to the Joint Select Committee on Australia’s Immigration Detention Network.

⁸⁴ Needham, K (2011) Concerns at rising number of detainees, July 30 2011, <http://www.theage.com.au/national/concern-at-rising-number-of-detainees>.

⁸⁵ Corporate Watch (2011) Serco accused of negligence and assault in Australia, <http://www.corporatewatch.org>